



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON D.C. 20548

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B-164163

MARCH 22, 1984

To the President of the Senate and the  
Speaker of the House of Representatives

Subject: Examination of Financial Statements of the  
Minority Printing Clerk, House of Representa-  
tives, for the Fiscal Years Ended September 30,  
1982 and 1981 (GAO/AFMD-84-32)

Pursuant to section 451 of the Legislative Reorganization Act of 1970 (40 U.S.C. 193m-1), we have examined the balance sheets of Thomas J. Lankford, Inc., the minority printing clerk, House of Representatives, as of September 30, 1982 and 1981, and the related statements of operations and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Thomas J. Lankford, Inc., as of September 30, 1982 and 1981, and the results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles and the financial accounting policies described in note 1 to the financial statements applied on a consistent basis.

Enclosures I and II contain our report on internal accounting controls and compliance with laws and regulations, and our comments on the corporation's operations. Enclosures III through VI present the corporation's financial statements and accompanying notes for the fiscal years ended September 30, 1982 and 1981.

The Legislative Reorganization Act of 1970 requires that the results of our audit be reported to the Congress. Copies of this report are being furnished to cognizant congressional committees. A copy is also being sent to the minority leader and to the minority printing clerk of the House of Representatives, and copies will be made available to members of the House and Senate and to the public upon request.



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*Sheldon J. Fowler*

Acting Comptroller General  
of the United States

Enclosures

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REPORT ON INTERNAL ACCOUNTING CONTROLS  
AND COMPLIANCE WITH LAWS AND REGULATIONS

We have examined the financial statements of Thomas J. Lankford, Inc., the minority printing clerk, House of Representatives, for the years ended September 30, 1982 and 1981. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, including tests of compliance with laws and regulations, as we considered necessary in the circumstances.

We did not complete a study or evaluation of the entity's internal control system for the purpose of determining the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the entity's financial statements. We concluded that it was more practicable and efficient to expand our substantive audit tests in examining the financial statements for the year ended September 30, 1982.

We did not become aware of any condition during our expanded audit tests which we believe to be a material weakness in the internal controls. In cases where we do make an examination of the internal control system, all material weaknesses in the internal control system would not necessarily be disclosed. Accordingly, even in such cases we would not be able to express an opinion on the system taken as a whole.

We also reviewed the provisions of applicable laws and regulations to determine the material compliance requirements that may have a financial impact on the minority printing clerk's financial statements for the year ended September 30, 1982. In our opinion the minority printing clerk complied with the provisions of applicable laws and regulations that could have materially affected the financial statements.

COMMENTS ON THE OPERATIONS OF THE  
MINORITY PRINTING CLERK,  
HOUSE OF REPRESENTATIVES

The position of minority printing clerk originated from House Resolution 295 (July 7, 1943, 78th Cong.), which (1) authorized employment of a clerk in charge of printing for the minority caucus room and (2) provided that the clerk be

--designated by the minority leader and

--compensated at the rate of \$2,000 per annum from appropriated funds.

Over the years, the minority printing clerk's pay increased from \$2,000 to \$16,743, the annual pay rate set in accordance with the pay adjustment which became effective October 1, 1977. As of October 1, 1978, however, the minority printing clerk's pay from appropriated funds was discontinued.

The minority printing clerk operates as Thomas J. Lankford, Inc., a firm organized and incorporated on December 16, 1963, primarily to provide printing and related services for members of the House of Representatives. The minority printing clerk received a salary as president of the corporation during the fiscal years ended September 30, 1982 and 1981.

The minority printing clerk's offices and printing plant are in the west underground garage of the House of Representatives. The printing clerk does, for a fee, official printing for the minority leadership and printing and related services for members of Congress, congressional committees, state societies, and political organizations.

On August 1, 1978, the corporation purchased land and a building for use as a warehouse. The corporation subsequently leased the building to another firm. The lease provides that the corporation will retain the exclusive use of about 1,000 square feet for paper storage, with an additional 500 square feet to be available if needed. In March 1982, the corporation purchased additional land adjacent to the warehouse.

The net income after taxes was \$206,657.75 in fiscal year 1982. The net loss was \$40,938.90 in fiscal year 1981. The higher net income was due primarily to the normal increase in sales during an election year.

THOMAS J. LANKFORD, INC.  
BALANCE SHEET (note 1)

ASSETS	September 30	
	<u>1982</u>	<u>1981</u>
<b>CURRENT ASSETS:</b>		
Cash	\$ -	\$116,243.66
Accounts receivable--trade	172,787.38	151,441.91
Accounts receivable--officers (note 2)	43,096.53	35,096.53
Accounts receivable--other	11,404.83	4,243.29
Inventory (cost)	65,813.07	65,023.90
Advance payment on equipment (note 3)	149,196.60	-
Prepaid expenses	953.40	750.00
Tax loss carryback claim	<u>5,197.84</u>	<u>5,197.84</u>
Total current assets	<u>448,449.65</u>	<u>377,997.13</u>
<b>INVESTMENTS:</b>		
Warehouse property:		
Land (note 4)	<u>149,061.50</u>	<u>56,757.00</u>
Buildings	<u>73,346.00</u>	<u>73,346.00</u>
Less accumulated depreciation	<u>7,605.84</u>	<u>5,772.19</u>
	<u>65,740.16</u>	<u>67,573.81</u>
Cash surrender value of officer's life insurance policy	<u>38,200.25</u>	<u>37,428.66</u>
Total investments	<u>253,001.91</u>	<u>161,759.47</u>
<b>FIXED ASSETS:</b>		
Printing equipment	378,529.27	373,319.27
Less accumulated depreciation	<u>263,655.37</u>	<u>228,600.87</u>
	<u>114,873.90</u>	<u>144,718.40</u>
Station wagon	9,398.00	9,398.00
Less accumulated depreciation	<u>7,701.27</u>	<u>4,568.55</u>
	<u>1,696.73</u>	<u>4,829.45</u>
Office equipment	1,262.75	400.00
Less accumulated depreciation	<u>485.93</u>	<u>316.52</u>
	<u>776.82</u>	<u>83.48</u>
Total fixed assets	<u>117,347.45</u>	<u>149,631.33</u>
Total assets	<u>\$818,799.01</u>	<u>\$689,387.93</u>

The notes in enclosure VI are an integral part of this statement.

LIABILITIES AND STOCKHOLDER'S EQUITY		<u>1982</u>	<u>1981</u>
CURRENT LIABILITIES:			
Accounts payable	\$ 33,810.35	\$110,406.39	
Notes payable--current portion	59,600.99	123,793.14	
Estimated franchise and income tax liability	191,939.04	93,293.89	
Accrued liabilities	10,352.42	3,813.68	
Deferred income	<u>13,323.50</u>	<u>5,277.41</u>	
Total current liabilities	309,026.30	336,584.51	
NOTE PAYABLE - long term portion	-	55,000.00	
PENSION PLAN PAYABLE (note 5)	<u>46,230.28</u>	<u>40,918.74</u>	
Total liabilities	<u>355,256.58</u>	<u>432,503.25</u>	
STOCKHOLDER'S EQUITY:			
Capital stock--common:			
\$100 par value;			
1,500 shares			
authorized; 375			
shares issued and			
outstanding	37,500.00	37,500.00	
Capital in excess of par value	<u>51,464.36</u>	<u>51,464.36</u>	
Total capital	<u>88,964.36</u>	<u>88,964.36</u>	
Retained earnings:			
Balance at beginning of fiscal year	167,920.32	208,845.22	
Prior year's adjustments	<u>-</u>	<u>14.00</u>	
	167,920.32	208,859.22	
Net profit or (loss) for year	<u>206,657.75</u>	<u>(40,938.90)</u>	
Balance at end of fiscal year	<u>374,578.07</u>	<u>167,920.32</u>	
Total stockholder's equity	<u>463,542.43</u>	<u>256 384.68</u>	
Total liabilities and stockholder's equity	\$818,799.01	\$689,387.93	

The notes in enclosure VI are an integral part of this statement.

THOMAS J. LANKFORD, INC.  
STATEMENT OF OPERATIONS (note 1)

	<u>Years Ended September 30</u>	
	<u>1982</u>	<u>1981</u>
NET SALES	\$2,744,443.07	\$1,629,027.69
PRINTING EXPENSES:		
Camera supplies	32,045.74	20,726.08
Depreciation	35,223.91	26,662.62
Express and postage	9,285.57	14,034.92
Leased equipment	96,312.00	69,083.46
Material and paper	1,040,085.28	576,897.36
Payroll taxes	36,432.64	26,474.40
Repairs and parts	15,912.12	23,399.44
Salaries	543,758.33	406,813.62
Subcontracts	180,148.21	105,930.61
Type, composition, and ink	64,862.32	42,489.16
Union pension fund	7,548.00	6,961.60
Union welfare fund	20,142.48	20,177.53
Total printing expense	<u>2,081,756.60</u>	<u>1,339,650.80</u>
Gross profit from sales	<u>662,686.47</u>	<u>289,376.89</u>
ADMINISTRATIVE EXPENSES:		
Accounting fees	11,994.90	9,000.00
Advertising and promotion	40,025.53	46,918.52
Station wagon	4,257.70	3,561.00
Depreciation	3,132.72	3,172.72
Employee pension plan (note 5)	44,727.54	32,459.34
General	7,993.47	9,769.17
Insurance	42,740.86	43,673.66
Legal fees	3,565.56	7,064.93
President-treasurer salary	157,600.00	151,000.00
Taxes	16,072.80	12,430.28
Telephone	1,257.55	693.68
Total administrative expenses	<u>333,368.63</u>	<u>319,743.30</u>
Net operating profit or (loss)	<u>329,317.84</u>	<u>(30,366.41)</u>
NONOPERATING INCOME:		
Rental income	22,141.20	\$21,748.80
Interest income	355.61	670.18
Miscellaneous income	675.58	781.22
Nonoperating income	<u>23,172.39</u>	<u>23,200.20</u>
NONOPERATING EXPENSES:		
Interest expense	24,829.19	25,854.28
Rental property expense	2,567.92	7,893.41
Nonoperating expenses	<u>27,397.11</u>	<u>33,747.69</u>
Net income or (loss) before taxes	<u>325,093.12</u>	<u>(40,913.90)</u>
ESTIMATED FRANCHISE AND INCOME TAXES:		
District of Columbia	26,639.85	25.00
United States	91,795.52	-
Total estimated franchise and income taxes	<u>118,435.37</u>	<u>25.00</u>
Net income or (loss)	<u>\$ 206,657.75</u>	<u>\$ (40,938.90)</u>
EARNINGS PER SHARE	\$ 551.09	\$ (109.17)

The notes in enclosure VI are an integral part of this statement.

THOMAS J. LANKFORD, INC.  
STATEMENT OF CHANGES IN FINANCIAL POSITION

	<u>Years Ended September 30</u>	
	<u>1982</u>	<u>1981</u>
<b>FUNDS PROVIDED:</b>		
Net sales	\$2,744,443.07	\$1,629,027.69
Rental income	22,141.20	21,748.80
Interest income	355.61	670.18
Miscellaneous income	675.58	781.22
Increase in pension plan payable	5,311.54	40,918.74
Decrease in working capital	-	60,082.44
Total funds provided	<u>\$2,772,927.00</u>	<u>\$1,753,229.07</u>
<b>FUNDS APPLIED:</b>		
Costs (excluding depreciation)	\$2,495,203.97	\$1,629,583.76
Increase in cash surrender value of officer's life insurance	771.59	6,442.31
Purchase of printing equipment	5,210.00	140,302.96
Purchase of office equipment	862.75	-
Purchase of land	92,304.50	-
Reduction in notes payable	55,000.00	(55,000.00)
Interest expense	24,829.19	25,854.28
Rental property expense	734.27	6,059.76
Prior year's adjustments	-	(14.00)
Increase in working capital	98,010.73	-
Total funds applied	<u>\$2,772,927.00</u>	<u>\$1,753,229.07</u>

ANALYSIS OF WORKING CAPITAL INCREASES AND DECREASES

	<u>Years Ended September 30</u>	
	<u>1982</u>	<u>1981</u>
<b>WORKING CAPITAL CHANGES:</b>		
Cash	\$(116,243.66)	\$ 70,105.76
Accounts receivable--trade	21,345.47	(127,100.32)
Accounts receivable--offices	8,000.00	(5,000.00)
Accounts receivable--other	7,161.54	1,185.76
Inventory	789.17	5,924.97
Advance payment on equipment	149,196.60	-
Prepaid expenses	203.40	(3,718.87)
Accounts payable	76,596.04	57,539.41
Notes payable--current portion	64,192.15	(55,609.31)
Estimated franchise and income tax liability	(98,645.15)	184.78
Accrued liabilities	(6,538.74)	(3,594.62)
Deferred income	(8,046.09)	-
CHANGE IN WORKING CAPITAL	<u>\$ 98,010.73</u>	<u>\$ (60,082.44)</u>

The notes in enclosure VI are an integral part of this statement.

THOMAS J. LANKFORD, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 1982 AND 1981

1. Significant Accounting Policies

The books are maintained on a cash basis throughout the course of the fiscal year and converted to an accrual basis at the end of the fiscal year.

Depreciation on assets acquired prior to fiscal year 1981 is provided at rates based on estimated useful lives using the straight line method. The accelerated cost recovery system was used for assets placed in service during fiscal year 1981. The lives generally used are as follows:

Buildings	40 years
Printing equipment--new	10 years
Printing equipment--used	5 years
Office furniture and equipment	10 years
Station wagon	3 years

Inventory is presented on the statement of financial condition at cost.

Certain benefits and services, such as space, utilities, and ordinary building repairs and maintenance, are paid from appropriated funds and furnished to the corporation at no charge.

2. Due from president-treasurer for personal expenses paid by Thomas J. Lankford, Inc.
3. Represents deposits made toward the purchase of a new press scheduled to be delivered during fiscal year 1983.
4. In March 1982, the corporation purchased additional land adjacent to its warehouse.
5. Pension Plan

The company has a defined benefit pension plan covering its employees. The company's policy is to fund pension costs accrued. The expense of this plan for the years ended September 30, 1982 and 1981 was \$44,727.54 and \$32,459.34, respectively. A comparison of accumulated plan benefits and plan net assets for the company's pension plans, as of the two most recent actuarial valuation dates, assuming rates of return of 6 percent, is presented on the next page.



## ENCLOSURE VI

## ENCLOSURE VI

	<u>1982</u>	<u>1981</u>
Actuarial present value of accumulated plan benefits:		
Vested	\$236,491	\$190,730
Nonvested	<u>4,971</u>	<u>3,127</u>
Total	<u>\$241,462</u>	<u>\$193,857</u>
Plan net assets	<u>\$271,761</u>	<u>\$226,596</u>